3.1 Purpose. The purpose of this chapter is to issue guidance to agency managers on ensuring the accountability and effectiveness of Federal programs and operations by establishing management controls, assessing them periodically, revising controls when necessary, and reporting weaknesses in management controls when indicated.

3.2 Authority.

A. Title 31 U.S.C. §3512, Federal Managers' Financial Integrity Act (FMFIA), P.L. 97-255.
B. Title 31 U.S.C. §901, Chief Financial Officers (CFO) Act, P.L. 101-576, as amended.
C. Title 5 U.S.C., Appendix, Inspector General Act, P.L. 95-452, as amended.
D. Title 31 U.S.C.§ 3512, Accounting and Auditing Act of 1950, as amended.
E. Title 31 U.S.C. §1341, Antideficiency Act

3.3 Guidance.

A. Office of Management and Budget (OMB) Circular A-123, Management Accountability and Control.

B. Departmental Manual Part 340, Management Control Systems.

3.4 Designation of Management Control Coordinator. As required by 340 DM 1.4(G), the Director, Office of Audit and Evaluation, is the designated Management Control Coordinator for Indian Affairs.

3.5 Responsibilities.

A. Managers.

(1) Establish, maintain, monitor, evaluate, and improve on systems of controls to help ensure that program objectives are met and that Government resources are used efficiently and effectively for their intended purpose;

(2) Develop plans to correct identified weaknesses and ensure that such plans are implemented; and

(3) Report, as required, on implementation actions to correct any internal control deficiencies which have been declared material weaknesses.

B. All Indian Affairs Employees are to report identified weaknesses in controls to the person responsible for the function or activity involved, and to the supervisory level immediately above the person directly responsible.

C. Executives:

(1) Determine, on an annual basis, which programs or functions should be subject to a formal review in order to supplement management's judgment as to the adequacy of the management controls;

(2) Report annually on the adequacy of controls in their organization;

(3) Review and approve plans prepared to correct identified material weaknesses within their area of responsibility; and

(4) Provide the oversight and support necessary to ensure that corrective action plans are completed within the time frame identified in the plan.

D. Management Control Coordinator:

(1) Provides technical assistance to Indian Affairs organizations in assessing management controls, reporting the results of reviews, developing corrective action plans, and implementing corrective actions;

(2) Coordinates the submission of required reports on control evaluations and implementation of corrective actions for identified material weaknesses; and

(3) Assists senior management in evaluating identified weaknesses to determine if reporting outside of Indian Affairs is indicated.

3.6 Management Controls. Management controls are the organization, policies, and procedures used to ensure that:

A. Programs achieve their intended results;
B. Resources are used consistent with the agency's mission;
C. Resources are protected from waste, fraud, and mismanagement;
D. Laws and regulations are followed; and
E. Reliable and timely information is maintained, reported, and used for decision-making.

3.7 Management Control Standards

A. General Management Control Standards.

(1) Compliance with Law. All program operations, obligations and costs must comply with applicable law and regulation. Resources should be efficiently and effectively allocated for duly authorized purposes.

(2) Reasonable Assurance and Safeguards. Management controls must provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. Management controls should be logical, applicable, reasonably complete, and effective and efficient in accomplishing management objectives.

(3) Integrity, Competence, and Attitude. Managers and employees must have personal integrity and are obligated to support the ethics programs in their agencies. The spirit of the Standards of Ethical Conduct requires that they develop and implement effective management controls and maintain a level of competence that allows them to accomplish their assigned duties. Effective communication within and between offices is encouraged.

B. Specific Management Control Standards.

(1) Delegation of Authority and Organization. Managers should ensure that appropriate authority, responsibility and accountability are defined and delegated to accomplish the mission of the organization, and that an appropriate organizational structure is established to effectively carry out program responsibilities. To the extent possible, controls and related decision-making authority should be in the hands of line managers and staff.

(2) Separation of Duties and Supervision. Key duties and responsibilities in authorizing, processing, recording, and reviewing official agency transactions should be separated among individuals. Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities.

(3) Access to and Accountability for Resources. Access to resources and records should be limited to authorized individuals, and accountability for the custody and use of resources should be assigned and maintained.

(4) Recording and Documentation. Transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events must be clear and readily available for examination.

(5) Resolution of Audit Findings and Other Deficiencies. Managers should promptly evaluate and determine proper actions in response to known deficiencies, reported audit and other findings, and related recommendations. Managers should complete, within established time frames, all actions that correct or otherwise resolve the appropriate matters brought to management's attention.

3.8 Assessment of Management Controls. It is not necessary to establish a separate process to assess the effectiveness of management controls. During the course of daily operations, problems are often identified that indicate controls are not working as intended, and adjustments are made to correct the problem. The results of the required administrative procedures (such as annual property inventories or performance appraisals), internal management or program reviews, and OIG or GAO audits can also provide managers with a basis for assessing controls. The following list of questions should be considered by managers in making an assessment:

A. Are position descriptions accurate?

B. Does the organization structure provide for appropriate levels of accountability, supervision, and separation of duties?

C. Were performance standards established and performance appraisals completed?

D. Did the annual physical inventory of real property and capitalized personal property identify problems in the accurate recording of property, in the disposal process, or in safeguarding the property?

E. Are payments rejected because of a failure to enter obligational data?

F. How many requests to record undisclosed obligations are submitted by the office?

G. Are all items on the undelivered orders report valid obligations, or should any of them be deobligated?

H. Is accurate information readily available to assess the performance of program responsibilities?

I. Are there frequent complaints about the level of service being provided?

J. Have all recommendations contained in internal reviews or in audits conducted by the OIG or GAO been implemented?

3.9 Reporting by Employees and Managers. Management control deficiencies identified in the course of daily operations or as a result of management reviews will be reported through the chain of command to the individual responsible for the function or activity involved, and to the immediate supervisor of the individual responsible for the function or activity. This process enables more senior levels of management to provide needed support or oversight for taking corrective actions. Where findings cut across organizational boundaries, the reporting will cross over as well and be directed to a sufficiently high level to ensure appropriate action.

3.10 Identification of Potential Material Weaknesses. A material weakness is a deficiency that the Secretary of the Interior determines to be of sufficient importance to warrant reporting to the President and to the Congress.

A. Assessment of Importance. Once responsibility for correcting the management control deficiency has been established, the next higher management level (which has already been apprised of the problem) determines whether a condition is sufficiently serious to warrant further reporting up the management chain. In making this decision, the manager should consider the following questions:

(1) Could this problem lead to a serious injury or loss of life?

(2) Even if the problem is fixed in my part of the organization, is there a good possibility that the same problem may exist in other parts of the organization (the office, the area, the bureau, the department)?

(3) Either before or after the deficiency is corrected, is there a possibility that higher levels of management may get questions from Congress or the media about the problem?

(4) Is it going to take more than three months to correct the deficiency?

(5) Was there a significant loss of government property? Is there the potential for a significant property loss?

(6) Was there a significant loss of money -- either through misuse of appropriated funds or under collection of revenues? Is there the potential for a significant loss?

(7) Were laws broken or regulations ignored?

(8) Could the department have any potential liability to employees or to third parties as a result of the deficiency?

(9) Were there ethical violations by employees or managers?

(10) Was inaccurate information reported upon which management or third parties

based decisions?

B. Further Reporting. If the answer to any one of the questions above is "yes," further reporting is generally indicated.

C. Form of Reporting. Weaknesses reported to the Commissioner, the Director, Office of Indian Education Programs, or the Assistant Secretary - Indian Affairs should be written and a copy of the report should be provided to the Office of Audit and Evaluation.

3.11 Declaration of Material Weakness.

A. Assistant Secretary - Indian Affairs. Based upon the information reported by the Deputy Commissioner, the Director, Office of Indian Education Programs, and the directors of the staff offices reporting to the Assistant Secretary, the Assistant Secretary will determine if any internal control weaknesses are of sufficient importance to warrant reporting to the Department's Management Control and Audit Follow Up Council.

B. The Management Control and Audit Follow Up Council reviews information submitted by the Assistant Secretaries and makes recommendations to the Secretary on deficiencies that meet the criteria for being declared material weaknesses.

3.12 Corrective Action Plans. Many weakness identified in daily operations can be satisfactorily addressed and corrected without the development of a formal plan. In other cases, however, plans are advisable or required.

A. Development of a Corrective Action Plan is Advised When:

(1) Responsibilities are split among organizations; or
(2) Implementation will extend beyond one month.

B. Development of a Corrective Action Plan is Required When:

(1) Requested by a manager or executive; or
(2) A material weakness has been declared.

3.13 Implementation Actions. Indian Affairs is required to provide semi-annual reports to the Department on implementation of actions necessary to correct identified material weaknesses. The Management Control Coordinator will work with the responsible offices in the preparation and submission of these reports.